

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07  
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06  
OPIC-03 SP-02 TRSE-00 LAB-04 EPG-02 SIL-01  
AGRE-00 OMB-01 L-03 H-01 PA-01 PRS-01 /091 W  
-----034765 131209Z /43

P R 131021Z JUL 77  
FM AMEMBASSY MADRID  
TO SECSTATE WASHDC PRIORITY 1001  
INFO AMEMBASSY PARIS  
AMEMBASSY LISBON

LIMITED OFFICIAL USE MADRID 5294

USOECD

E.O. 11652: N/A  
TAGS: EFIN, SP  
SUBJECT: FOLLOW-UP ON DEVALUATION OF THE PESETA

REF: MADRID 5234

1. SUMMARY: BANK OF SPAIN GOVERNOR APPEARED ON TELEVISION  
LAST NIGHT AND TOLD THE NATION THAT INFLATION AND THE  
BALANCE OF PAYMENTS DEFICIT HAD FORCED YESTERDAY'S DEVALUA-  
TION. HE SAID SPAIN LOST OVER ONE BILLION DOLLARS IN THE  
LAST SIX WEEKS TRYING TO DEFEND THE OLD PESETA PARITY.  
END SUMMARY.

2. FOLLOWING LAST NIGHT'S EVENING NEWS BROADCAST, BANK OF  
SPAIN GOVERNOR LOPEZ LETONA ADDRESSED THE NATION ON THE  
SUBJECT OF THAT MORNING'S PESETA DEVALUATION. IN  
EXPLAINING WHY THE PESETA HAD BEEN DEVALUED, HE MADE THE  
FOLLOWING POINTS:

--UNLIKE OTHER COUNTRIES, SPAIN'S INFLATION WAS

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BOTH HIGH AND WORSENING.

-- THE INFLATION MADE SPAIN'S STILL DETERIORATING  
BALANCE OF PAYMENTS SITUATION MORE DIFFICULT TO COPE WITH.

--SPAIN HAS THE BIGGEST PAYMENTS DEFICIT IN EUROPE.

-- SPAIN LOST OVER ONE BILLION DOLLARS IN FOREIGN RESERVES  
IN THE LAST SIX WEEKS IN AN ATTEMPT TO DEFEND THE OLD PESETA  
PARITY. (THE TOTAL SO FAR THIS YEAR WAS 1.8 BILLION DOLLARS.)

3. HOW TO PLAY WITH NUMBERS: IN A FAMILIAR MATHEMATICAL EXERCISE WITH PUBLIC RELATIONS OVERTONES THE BANK OF SPAIN AND NATIONAL BROADCAST MEDIA PREFER TO VIEW THE SIZE OF THE DEVALUATION AS 20 PERCENT, AND NOT 25 PERCENT. THE 25 PERCENT FIGURE IS ARRIVED AT BY FOLLOWING THE NORMAL PRACTICE OF COMPARING PESETA/DOLLAR RATES. THE BANK OF SPAIN OBTAINS THE LOWER FIGURE BY COMPARING DOLLAR/PESETA RATES. (NEVERTHELESS, IT STILL REMAINS TRUE THAT IMPORTERS WILL PAY 25 PERCENT MORE FOR THEIR FOREIGN-PRICED IMPORTS, AND WILL RECEIVE 25 PERCENT LESS NATIONAL CURRENCY FOR THEIR EXPORTS.) ALTHOUGH THE GOVERNMENT BROADCAST MEDIA HAVE BEEN EMPHASIZING THAT THE DEVALUATION WAS 20 PERCENT, LOPEZ LETONA AVOIDED MENTION OF ANY FIGURE IN LAST NIGHT'S SPEECH. INSTEAD, HIS SPEECH WAS PRECEDED AND FOLLOWED BY NEWS COMMENT HIGHLIGHTING THE LOWER FIGURE. STABLER

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEVALUATIONS, PESETA, BALANCE OF PAYMENTS, CURRENCIES  
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**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977MADRID05294  
**Document Source:** CORE  
**Document Unique ID:** 00  
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**Errors:** N/A  
**Expiration:**  
**Film Number:** D770249-0103  
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**Message ID:** e2f8576c-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Reference:** 77 MADRID 5234  
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**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1879413  
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**Status:** NATIVE  
**Subject:** FOLLOW-UP ON DEVALUATION OF THE PESETA  
**TAGS:** EFIN, SP  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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